

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-01  
INR-10 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06  
SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-07  
CEA-01 L-03 H-02 PA-02 AGRE-00 /105 W  
-----021309 250323Z /72

R 241451Z FEB 78  
FM AMEMBASSY COPENHAGEN  
TO SECSTATE WASHDC 6033  
INFO EC COLLECTIVE

UNCLAS COPENHAGEN 1321

USEEC ALSO FOR EMBASSY

EO 11652: NA  
TAGS: EFIN DA  
SUBJ: BALANCE OF PAYMENTS 1977

REF: COPENHAGEN 1136

1. ACCORDING TO OFFICIAL STATISTICS (PRELIMINARY) RELEASED THIS WEEK THE DANISH CURRENT BALANCE OF PAYMENTS DEFICIT IN 1977 WAS REDUCED TO \$1580 MILLION FROM \$1846 IN 1976. MITIGATION OF THE DEFICIT ACTUALLY SET IN THE SECOND QUARTER OF 1976 AND IT WAS MAINTAINED AT THE REDUCED LEVEL DURING THE SUBSEQUENT SIX QUARTERS.

2. THE REDUCED DEFICIT IN 1977 REFLECTED A SOMEWHAT IMPROVED TRADE BALANCE AS, IN REAL TERMS, EXPORTS ROSE BY 4PC WHILE IMPORTS FELL 2PC. FREIGHT EARNINGS ALSO SHOWED MARKEDLY BETTER RESULTS UNTIL THE LAST QUARTER OF THE YEAR AND ON AN ANNUAL BASIS NETTED A 25PC GAIN. CONVERSELY, TOURIST SPENDING ROSE MORE THAN EARNINGS AND THE USUAL SMALL NET GAIN IN THIS ACCOUNT VANISHED.

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3. NET INVISIBLES EARNINGS ROSE SIGNIFICANTLY IN THREE QUARTERS OF THE YEAR BUT FELL BACK IN THE LAST QUARTER WHICH REDUCED THE ANNUAL GAIN TO 8PC. NET INFLOWS FROM EC WERE ABOUT UNCHANGED FROM 1976.

4. RECENT YEARS' INCREASE IN BORROWING INTERNATIONALLY IS NOW BEING REFLECTED IN A SHARP INCREASE IN INTEREST PAYMENTS (IN 1977

BY AS MUCH AS 65PC). THIS EXTRA COST WAS PARTLY OFFSET BY INCREASED DIVIDEND EARNINGS FROM DANISH SUBSIDIARIES ABROAD.

5. WHILE IN 1976 THE CURRENT PAYMENTS DEFICIT WAS JUST ABOUT COVERED BY CAPITAL IMPORTS, PREDOMINANTLY PUBLIC LOANS, CAPITAL IMPORTS IN 1977 EXCEEDED THE DEFICIT BY CLOSE TO 60PC. THE GOVERNMENT CONTINUED TO BORROW HEAVILY THOUGH AT A SLIGHTLY REDUCED PACE IN SECOND HALF OF THE YEAR WHILE AT THE SAME TIME PRIVATE SECOTR CAPITAL IMPORTS WHICH WERE RESUMED IN THE LAST QUARTER OF 1976, CONTINUED AT A STEADY PACE DURING 1977.

6. THE EXCESS FINANCING LED TO A SIGNIFICANT INCREASE IN LIQUID RESERVED OVER THE YEAR. BY THE END OF 1977, FOREIGN EXCHANGE RESERVES STOOD AT CLOSE TO \$2 BILLION; THEY IMPROVED BY ANOTHER ONE HALF BILLION DOLLARS IN JAN 1978.  
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## Message Attributes

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Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
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